

**Milwaukee County Employees' Retirement System (ERS)**

**Investment Committee Meeting**

**MINUTES**

**Call to Order:**

Chairperson, Sarah Peck called the meeting to order at 2:30 pm, on 2-1-10, in Room 203-P, of the Milwaukee County Courthouse, 901 N. 9<sup>th</sup> Street, Milwaukee, WI. 53233.

**Roll Call:**

**Board Members Present:**

Jeffrey Mawicke  
Dean Roepke  
John Maier  
Sarah Peck  
Linda Bedford

**Others Present**

Gerry Schroeder  
Mark Grady  
Dale Yerkes  
Brett Christenson  
Ray Caprio  
David Arena

---

Three (3) handouts were provided to the Board members and others in attendance:

- ERS County of Milwaukee: Statement of Investment Policy
  - Passive Indexing-Core Fixed Income & Large Cap Core Equity - Marquette
  - Article: Cohen Financial on Financing Notes
- 

**1. Topic: Asset Allocation & Overlay Update**

Long Short Equity is now completed, with fund managers slated for April. Marquette will recommend funding the long/short managers from the S&P futures and Mellon S&P Index Fund. This item will be added to the Board agenda for 2-17-10.

**2. Topic: Review of GMO**

GMO is not performing well relative to the benchmark MSCI EAFE over the 1,2,3 year period. However, GMO's long term track record (7-10 yr) and peer ranking is favorable. Marquette suggests that based on early 2010 trends, GMO may be put on Alert status. There remains no turnover problem and they are coming off a bad performance year. GMO feels that the low performance relates to specific investment countries allocations rather than stock selection. We should see GMO rebound as the market favors more fundamentals and high quality companies in the first two quarters of 2010. The investment committee will continue to monitor GMO and in

consultation with Marquette. If there is continued poor performance the committee may recommend that the board take action.

### 3. Topic: **Real Estate Education**

Recently, the Real Estate market has experienced a small rebound. Appraisals are up and depreciation has slowed. Debt on properties is a concern. Most refinancing is done through balloon loans, usually at 12%. Leverage has been maxed out. One of the problems related to Real Estate is that properties were bought above market value. Marquette suggests that the 3<sup>rd</sup> quarter of 2010 would be a good entry point for ERS to jump into the asset class.

The Board and Investment Committee will be provided an education series in the coming months on Real Estate, starting in March. That way we will be knowledgeable when it is time to enter the Real Estate market sometime in July.

### 4. Topic: **Investment Policy Guidelines**

The revised Investment Policy Statement has been significantly changed in order to expand the document. Previous language has been incorporated with additional detail.

Key components are:

- |                                     |                                   |
|-------------------------------------|-----------------------------------|
| ● Defining Investment Professionals | ● Brokerage Services              |
| ● Cash Overlay Guidelines           | ● Proxy Voting Guidelines         |
| ● General Ordinances                | ● Professional Adoption of Policy |
| ● Nondiscrimination                 | ● Summary of Plan Information     |

An important section of the policy document relates to the process of evaluating managers. The Marquette evaluation process consists of Alert, On Notice and Termination. It was pointed out that only the Board can actually terminate a manager.

Marquette asked that the committee review the document and have Corporation Counsel take a close look at it. Marquette offered to forward the previous policy statement with this revised version (electronically) to Gerry Schroeder, for distribution to all members.

The revised Investment Policy will be brought back to the Investment Committee in March for further discussion.


### 5. Topic: **RFP Indexing**

The Index Fee summary was discussed. Rhumblin has the lowest fees at 0.028% (\$112,500). Northern Trust and State Street are next with 0.030% (\$120,000) and 0.033% (\$130,000) respectively. A decision on who to contract with, will be made in the near future. This item will not be brought back to the Investment Committee again. It will go to the Board sometime in March.

6. Topic: **Bond Trends**

A brief discussion took place on the need for the committee to receive more education on various Bond types. We will target April for an educational session on Bonds, how they work and credit spreads.

7. Adjournment: **The Investment Committee adjourned at 3:55 pm.**



Gerald J. Schroeder  
ERS Manager